

COVID-19: Cargo movement update¹

Date: 6 August 2021

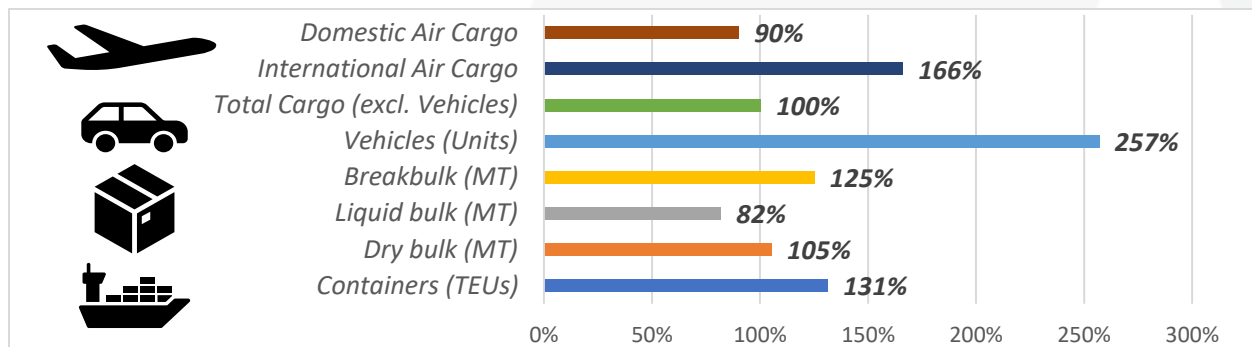
Weekly Snapshot

Table 1 – Port volumes and air cargo flows, week on week

Flows	Current ²			Previous ³			Growth
	Import	Export	Total	Import	Export	Total	
Port Volumes (TEUs)	22 581	22 779	45 360	34 780	31 527	66 307⁴	↓32%
Air Cargo (tons)	4 999	2 480	7 479	4 774	2 179	6 953	↑8%

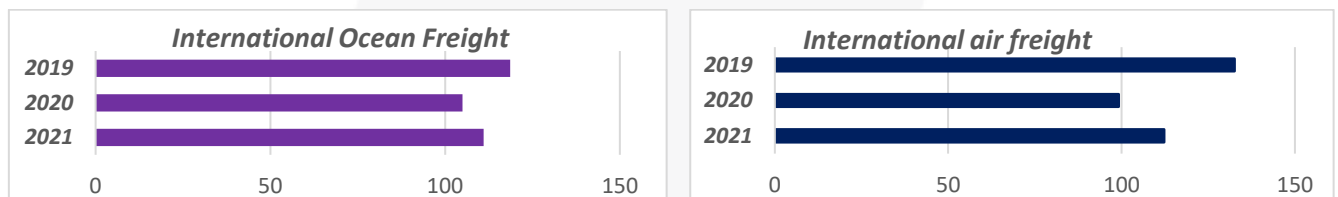
Monthly Snapshot

Figure 1 – Monthly⁵ cargo flows, year on year (100% = baseline)



Year-to-date Tracker

Figure 2 – International year-to-date flows 2019-2021⁶: ocean, y/y (metric tons) & air freight, y/y (kg millions)



Key Notes

- This week, an average of ~**6 480 TEUs** was expected to be handled per day, **↓32%** from last week.
- Transnet's IT systems remain disrupted. As a result, trade has adopted a manual process in and around the container terminals. Consequently, forecasts for the next couple of weeks remain uncertain.
- The "WCI" continues to climb, with freight rates **↑0,4%** (or **\$41**) to **\$9 371** per 40-ft this week.

¹ This update contains a combined overview of air, sea, and road freight to and from South Africa in the last week. This report is the 50th update.

² 'Current' means the last 7 days' (a week's) worth of available data.

³ 'Previous' means the preceding 8-14 days' (a week's) worth of available data.

⁴ As mentioned last week, it is challenging to provide any definite figures concerning containers handled by our ports, given the ongoing IT disruptions at Transnet. The accurate picture will only be clear once the dust settles, and the system is up and running again.

⁵ 'Monthly' means the last full month's worth of available data compared to the same month in 2020. In this case, June 2021, and June 2020.

⁶ For ocean, total Jan-Jun cargo in metric tonnes, as reported by [Transnet](#) is used, while for air, Jan-Jun cargo to and from ORTIA is used.

- Average cross-border queue time was up by **2,6 hrs**, with transit time also rising by **4,6 hrs** (see [below](#)).
- SA merchandise trade for June: Exports increased by **↑43,6%** y/y, with imports rising by **↑55,7%**.
- According to the WTO, the value of world merchandise exports declined by **↓8%**, while services trade contracted by a massive **↓21%** in 2020. South Africa: merchandise (**↓14%**), services trade (**↓43%**).

Executive Summary

This update – *the 50th of its kind* – contains a consolidated overview of the South African supply chain and the current state of international trade. Concerning the pandemic, it seems as if the worst of the third wave has passed, although the decrease in cases has been less perceptible than the first and second waves. As a result, this week has seen another slight decline in newly reported COVID-19 infections in South Africa, averaging approximately **10 850** infections per day this week (**↓5%** from last week's average of **11 436**). Consequently, the total number of cases recorded in the country now stands at more than **2,5 million**⁷, with the death toll rising to **73 873** (up by **2 442**). In absolute terms, South Africa remains in **17th** place globally regarding COVID-19 cases.

Globally, the rate of infections has slowed down, particularly in the developed world. Nevertheless, the **200-million** barrier in recorded cases has been breached, with a total of **~4,3 million** people losing their lives to the virus. However, as the IMF has warned, the global recovery will depend on correcting the inequality of access to vaccines, which the current fault lines have emphasized. The worldwide vaccination figure stands at **~4,36 billion** vaccine doses⁸, with South Africa picking up speed lately, standing at some **~8,18 million** vaccine doses administered.

The DTIC conducted a national-wide company survey to ascertain the immediate cost implications of the impact of the unrest: "*Preliminary response of the Company Survey on Impact of the Unrest*" (27 July 2021). From the feedback received, **698 businesses** were impacted in KZN and Gauteng, with a total estimated cost of damages of **R4,8 billion**. Furthermore, companies reported lost orders of **R21 billion** over the next 12 months, accompanied by **8 665 potential job losses**. There will be further associated downline "running" costs over and above this huge direct impact, as supply chains were seriously inhibited.

Following a disastrous couple of weeks for our ocean freight economy, some normality has been restored to the flow of goods. Unfortunately, Transnet's systems remain compromised. However, a manual process in and around the container terminals was adopted to offset, if only partially, the IT disruptions. Although this approach is far from ideal, business continuity is critical at this juncture. With the lack of reporting, several additional metrics have been included in the latest figures (see [below](#)). A serious problem area, which needs addressing, is the unacceptably high number of cancelled booking slots. It remains imperative to ensure a smooth linkage of the waterside and landside operations at the terminals, as the system needs to function in unison.

Internationally, the immediate outlook for the global container industry continues to be typified by high rates and poor reliability. This situation remains the dominant theme, despite further record profits announced by shippers – this time with Maersk's **↑58%** growth in revenue providing an increase to **\$14,2 billion** in Q2. Although carriers maintain that "exceptional market conditions" are at play, shippers and cargo owners are subjected to ever-increasing degrees of marginalisation globally.

On the aviation front, volumes handled for the week on both domestic and international routes have seemingly stabilised after the drop-off early in the month. Nevertheless, growth figures for July show that

BUSA

⁷ Johns Hopkins, Coronavirus Resource Centre. [Coronavirus JHU](#).

⁸ Our World in Data, Coronavirus (COVID-19) Vaccinations. [Our World in Data](#)

domestic cargo is ↓21% compared to June, whereas international cargo was less severely impacted and is ↓4% for the same period. Thus, operationally, the industry experienced a typical week for this time of the year.

For the international aviation industry, IATA's "Business Confidence Survey" for July sees an imminent increase in airline revenues as the immediate outlook improves. Nevertheless, the overall sentiment remains cautiously optimistic, as the patchy recovery in passenger numbers, in particular, has not been evenly spread across regions. It should also be pointed out that the entire global aviation market is growing off a very low base, given the massive impact of the pandemic on the aviation industry. For the near term, cargo levels remain strong. But even as the outlook starts improving, another unforeseen event arises, potentially creating a storm. Airfreight rates out of China are rising, with COVID-19 cases threatening to disrupt the flow of goods in an area already highly impacted due to port closures and disruptions because of the recent typhoon.

In conclusion, the predominant theme for trade and industry lately has been overwhelmingly negative. South Africa's supply chains have been severely disrupted recently due in large part to civil unrest and cyber-attacks. Although the business at large has estimated some of the initial costs, the unintended and unquantifiable expenses will continue to accumulate as we aim to restore some semblance of normality. Consequently, it remains the private sector's focus to correct some wrongs and aid all stakeholders in their attempts to return to an even keel. As has been a constant refrain recently, we are finding ourselves at a critical crossroads where our efforts must gain momentum in a positive direction.

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1. Ports Update

This section provides an overview of the flow of containerised cargo through South Africa's commercial ports.

a. Container flow overview

The following table indicates the container flows reported for the last seven days. Due to the uncertainty still prevailing, there are no volume projections for the next seven days. Instead, an outline of the latest operations is provided below. As communicated last week, due to the IT disruptions at Transnet, the table can only provide a best-guess estimate based on information received from Transnet and private sector stakeholders. Despite the challenges, these numbers are very close to painting the complete, transparent picture.

Table 2 – Container Ports – Weekly flow reported for 31 July to 6 August⁹

7-day flow forecast (31/07/2021 – 06/08/2021)		
TERMINAL	NO. OF CONTAINERS TO DISCHARGE (IMPORT)	NO. OF CONTAINERS TO LOAD (EXPORT)
DURBAN CONTAINER TERMINAL PIER 1:	4 698	4 950
DURBAN CONTAINER TERMINAL PIER 2:	10 356	11 256
CAPE TOWN CONTAINER TERMINAL:	7 527	6 573
NGQURA CONTAINER TERMINAL:	0	0
GQEBERHA CONTAINER TERMINAL:	0	0
TOTAL:	22 581	22 779

Source: [Transnet](#), 2021. Updated 06/08/2021.

An average of ~6 480 TEUs (↓32%) was handled per day for the last week, as most operational efforts have been focused on restoring normality in our commercial ports. This experience has emphasised the crucial role of technology in doing business and the need to have well-planned backup planning in case of disruptions. The following table shows a detailed outline of the situation in Durban, and a breakdown of South Africa's other commercial ports, although containing only a couple of snapshots of containers on hand for Monday and Thursday.

Table 3 – Container Ports – Number of Import containers on hand¹⁰

TERMINAL	2 AUG	3 AUG	4 AUG	5 AUG	EXPECTED IMPORTS FOR NEXT 7 DAYS (6 – 12 AUG 21)
DURBAN CONTAINER TERMINAL PIER 1:	2 248	2 615	2 571	2 092	4 977 (3 vessels)
DURBAN CONTAINER TERMINAL PIER 2:	8 610	7 753	6 430	5 343	11 146 (6 vessels)
CAPE TOWN CONTAINER TERMINAL:	2 349	-	-	751	5 651 (7 vessels)
NGQURA CONTAINER TERMINAL:	2 624	-	-	1 456	3 988 (6 vessels)
GQEBERHA CONTAINER TERMINAL:	802	-	-	727	528 (3 vessels)
TOTAL:	16 633	10 368	9 001	10 369	26 290 (25 vessels)

⁹ It remains important to note that a fair percentage (approximately 25%, according to the most recent TNPA figures for June) of containers are neither imported nor exported, but rather consist of empties. Due to the ongoing container imbalances, this proportion is fluctuating more than usual, and has increased since December 2020.

¹⁰ Import As noted containers on hand as recorded at 14:00 every day.

Source: [Transnet](#), 2021. Updated 06/08/2021.

The following table contains a detailed breakdown of the gate moves, ship moves, and truck turnaround time for the five days from 31 July.

Table 4 – Container Ports – Number of gate moves, ship moves, and TTT (31/07/2021 – 4/08/2021)

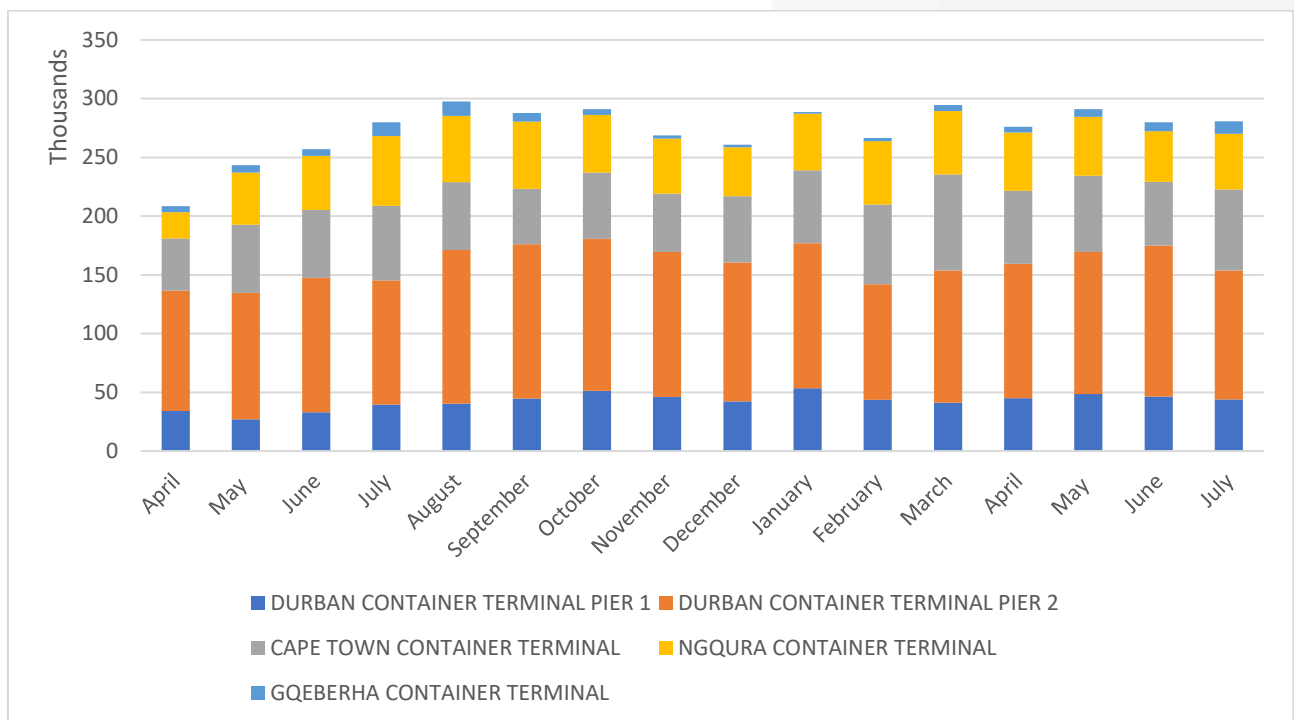
	TERMINAL	DCT Pier 2	DCT Pier 1	PECT	NCT	CTCT
Gate Moves	Average daily gate moves for June 2021 (comparison)	2 665	1 059	209	493	1 002
	Saturday 31/07/21	3 198	842	225	270	1 641
	Sunday 1/08/21	3 076	598	4	447	1 348
	Monday 2/08/21	2 382	760	83	614	1 630
	Tuesday 3/08/21	3 154	1 105	401	60	1 783
	Wednesday 4/08/21	3 358	1 442	391	667	1 319
Ship Moves	Saturday 31/07/21	4 322	1 731	483	580	1 645
	Sunday 1/08/21	3 968	1 345	84	1 174	1 634
	Monday 2/08/21	3 081	1 245	424	1 471	1 601
	Tuesday 3/08/21	2 559	1 365	234	1 278	1 527
	Wednesday 4/08/21	2 063	1 387	576	1 550	1 307
TTT (minutes)	Average TTT in minutes for May 2021 (comparison)	78	54	61	35	47
	Saturday 31/07/21	276,9	35,1	72,7	42,8	72,9
	Sunday 1/08/21	273,4	61,7	26,8	34,9	50,6
	Monday 2/08/21	307,8	217,3	76,1	66,4	76,1
	Tuesday 3/08/21	323,8	353,3	44	30,9	87,6
	Wednesday 4/08/21	165,8	131,7	113,1	49,8	64,6

Source: [Transnet](#), 2021. Updated 06/08/2021.

The import volume pressure was most evident at the Durban container terminals, where the daily volumes reflect the challenges faced this week. Both terminals at DCT applied all available efforts and resources to evacuate backlogged container imports as quickly as possible. In particular, it was a slow start for PECT and NCT, as their systems were restored after the others, but at least these terminals did manage a reasonably quick recovery. CTCT is also recovering steadily as the terminal managed to clear most of its import volumes this week. More on this in detail below. The TTT experienced at DCT Pier 1 and Pier 2 from Saturday till Tuesday was more than the normal TTT due to the unprecedented volumes inside the terminal. As a result, the truck booking system crashed, with a tremendous number of booking slots being cancelled, which is discussed below.

The following figure displays the rolling *monthly* average flow of total containerised cargo movement for our commercial ports since the start of the nationwide lockdown.

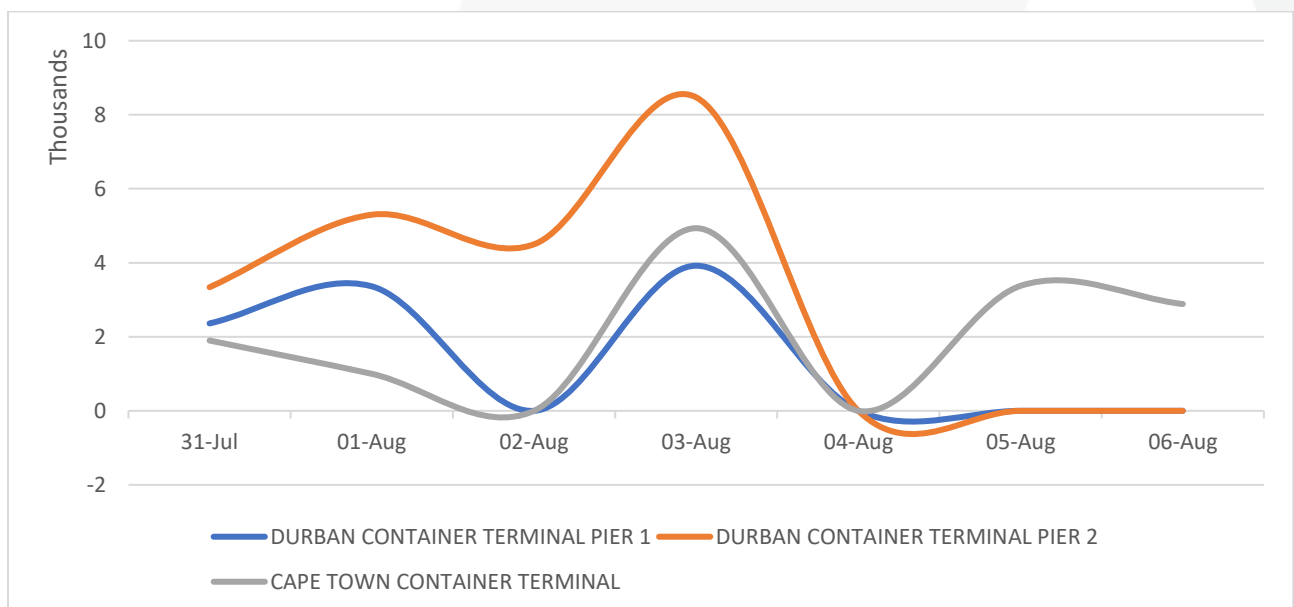
Figure 3 – Monthly flow reported for total cargo movement (TEUs: April 2020 to present; month on month)



Source: Calculated using data from [Transnet](https://www.transnet.co.za), 2021. Updated 06/08/2021.

The figure below shows the weekly container flows for the previous seven days.

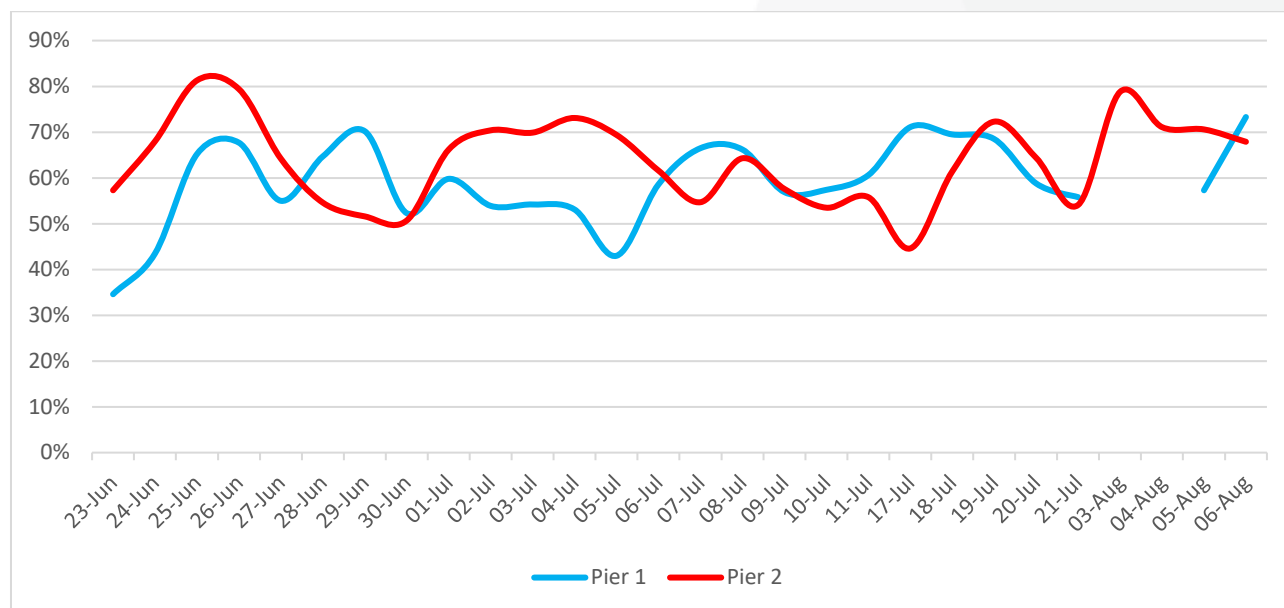
Figure 4 – 7-day flow reported for total cargo movement (31 July to 6 August; per port; day on day)



Source: Calculated using data from [Transnet](https://www.transnet.co.za), 2021. Updated 06/08/2021.

The following figure showcases the respective stack occupancy in DCT since 23 June:

Figure 5 – Stack occupancy in DCT, general-purpose containers (23 June to 21 July; per pier; day on day)



Source: Calculated using data from Transnet, 2021. Updated 06/08/2021.

b. Summary of port operations

The following sections provide a more in-depth overview of the operational performance of our commercial ports over the last seven days.

i. Weather delays

Since last weekend, waterside operations at Cape Town port have been slow and challenging due to strong winds and vessel ranging, affecting productivity at CTCT.

This week, Durban experienced strong NE winds of around 33 km/h on Tuesday, which subsided as the week went on.

For our Eastern Cape ports, strong winds and vessels ranging were experienced over the weekend. Fortunately, weather conditions improved slightly, although strong winds posed challenges to waterside operations.

ii. Cape Town

CTCT performed reasonably well, taking into consideration the challenges faced the previous week. CTCT managed to record 1 641 gate moves on Saturday and 1 348 gate moves on Sunday. TTT recorded on Saturday hovered around 73 minutes, which improved on Sunday due to fewer loads, to approximately 51 minutes. On Wednesday, Cape Town's port's multi-purpose and combined terminal experienced significant queues following the port's opening, as truckers were trying to collect imported containers, especially critically needed empty reefers.

iii. Eastern Cape

Operations could marginally return to normal only once the NAVIS system was up and running on Friday at PECT and NCT. On Saturday, PECT recorded 225 gate moves and NCT 270. Then, on Sunday, PECT only had four gate moves and NCT 447. Average TTT on Saturday at PECT was around 73 minutes and 43 minutes at NCT, respectively. Despite the increase in gate moves at NCT on Sunday, the terminal managed to pull off an average TTT of only 35 minutes. Cold store facilities were quite a challenge early this week in the Eastern Cape, partly due to the slow berthing of vessels carrying empties.

iv. Durban

Over this past weekend, DCT and truckers performed very well, considering the massive backlog accrued from last week. Pier 2 managed to record an average of 3 137 gate moves and 720 gate moves at Pier 1, respectively. Unfortunately, queues entering the port extended excessively, and TTT averaged around 274 minutes at Pier 2 and 49 minutes at Pier 1. On Monday, stack occupancy recorded at 06:00 at Pier 1 stood at 58% of capacity for general containers and 24% for reefers. At the same time, Pier 2 recorded a stack occupancy of 79% for general containers and 68% for reefers. Pier 2 managed to handle 3 215 gate moves on Tuesday and recorded 1 195 shifters. Pier 1 handled over 1 966 gate moves.

Stack occupancy stood at 71% at Pier 2 on Thursday, with over 5 000 import TEUs in the stack. Stack occupancy at Pier 1 was worryingly high (78%), with over 2 000 TEUs in the yard. Both terminals at DCT were heavily congested with trucks trying to retrieve imported reefers and drop exports. Recording over 2 000 cancelled booking slots and 315 wasted slots at Pier 2 on Thursday reveals the extent of the problem faced inside the terminal as operators tried to locate and load or offload containers. A total of 630 booking slots were cancelled at Pier 1, and 41 were wasted. During this week, exporters, cold store operators, truckers, terminals, and shipping lines were (and still are) focused on clearing backlogs and allowing fruit exports to load out. To address a lack of reefer space at DCT, operations on Thursday morning saw the first "Recovery Initiative" that commenced at 06:00 through 10:00, whereby 150 slots per hour were allocated to imports only. This initiative saw a material increase in import evacuation and was repeated on Friday from 22:00 through to 01:00.

In parallel to the mass road import evacuation initiative, DCT started back-loading reefer containers under deck to assist in clearing reefer yards quickly and accommodate export reefers coming through the gates. This exercise is done in partnership with MSC and Maersk. The targeted vessels scheduled to back-load containers under-deck are Maersk Rubicon, MSC Vita, Maersk Stralsund and Maersk Santa Isabel. Pier 2 recorded 3 546 gate moves on Thursday and 1 050 shifters. Pier 1 saw 1 558 gate moves and 481 shifters.

v. Transnet Freight Rail (TFR)

As communicated to stakeholders on Thursday, full NAVIS functionality and customer links were restored for the TFR – City Deep site, allowing the rail to be planned effectively to align with vessel stacks. During this past week, TFR continued to experience system difficulties having around 30 export train sets in the system. The Kings Rest buffer facility was used to offload containers to allow wagons to load out rail imports that were building up. Apart from system challenges, TFR recorded 23 cable theft incidents on the NATCOR line last week, fortunately with no material impact on train movements.

vi. General

Following the previous week's disruptions to Transnet's IT systems, TPT focused on evacuating import containers, especially reefers, to open yard space for reefer exports. TPT encouraged customers to collect 24 hours a day to support terminal fluidity and accelerate the overall container supply chain recovery. On Friday, stakeholders were informed that all Transnet's domains and emails were declared safe to receive and open and that all NAVIS functionality and customer links were working successfully. The website interactive systems are unfortunately still not operating. All storage charges have resumed effective Monday 2 August 2021.

TNPA's financial team reported on the Cash to Order, Cargo Dues, and Marine accounting on Friday and advised that although the system is operational, they are still reconciling payments made before the ITC outage. Shipping lines were requested to continue releasing cargo and export bills without the necessary cargo dues validation up to 15 August 2021. By that time, the Cash to Order system should have normalised. Additionally, late order fees and interest charges will be waived up to 15 August 2021 for applicable orders that would ideally have been processed had it not been for the system downtime. Customers were encouraged to ensure that final clients were either billed or advised of outstanding Cargo Dues costs on each shipment which will be for the account of TNPA, once re-instated. Furthermore, TNPA announced that they expect the backlogs in processing payments to be resolved by 8 August 2021. Therefore, customers are encouraged to begin processing all their backlog cargo dues orders, including new orders, effective from the 9th of August 2021.

According to Gavin Kelly, the Road Freight Association (RFA) CEO, all external links nationally were up and running this week for all the ports. However, there have been constraints in terms of warehousing for certain goods outside the ports. Nevertheless, the CEO of Grain SA, Jannie de Villiers, is delighted, as, despite the difficulties, the industry managed to export about 95 000 tonnes via the Durban port last week. The maize is destined for the Far East.

For citrus growers in South Africa, things are not looking too great. Justin Chadwick, CEO of the Citrus Growers' Association of Southern Africa (CGA), announced that South African citrus exporters are turning to the port in Maputo, Mozambique, as an alternative. There is currently a worrying backlog of fruit across the citrus supply chain, causing temporary delays. There is still around 45% of fruit exports in the country, still to be shipped.

On Monday, the Department of Agriculture, Land Reform and Rural Development (DALRRD) announced the acceptance of the amendment of the import permit condition regarding the port of entry, from Durban to either Gqeberha (Port Elizabeth) or Cape Town. As a result, the movement of uninspected frozen products in original and sealed containers by rail from Durban to City Deep in Johannesburg to be stored at Chilleweni (PTY)Ltd, CCS, Etlin, and Sequence Cold stores for inspection, testing, and any other regulatory activity has also been permitted. This initiative brought some relief for the South African Association of Meat Importers and Exporters (AMIE SA) and its associated members.

2. Air Update

a. International air cargo

The following table shows the in- and outbound air cargo flows to and from ORTIA for the week starting 25 July. For comparative purposes, the average air freight cargo (inbound and outbound) handled at ORTIA in

July 2020 averaged ~661 014 kg per day. For 2019, this average was ~848 123 kg per day, which is probably a more meaningful comparison.

Table 5 – International inbound and outbound cargo from OR Tambo

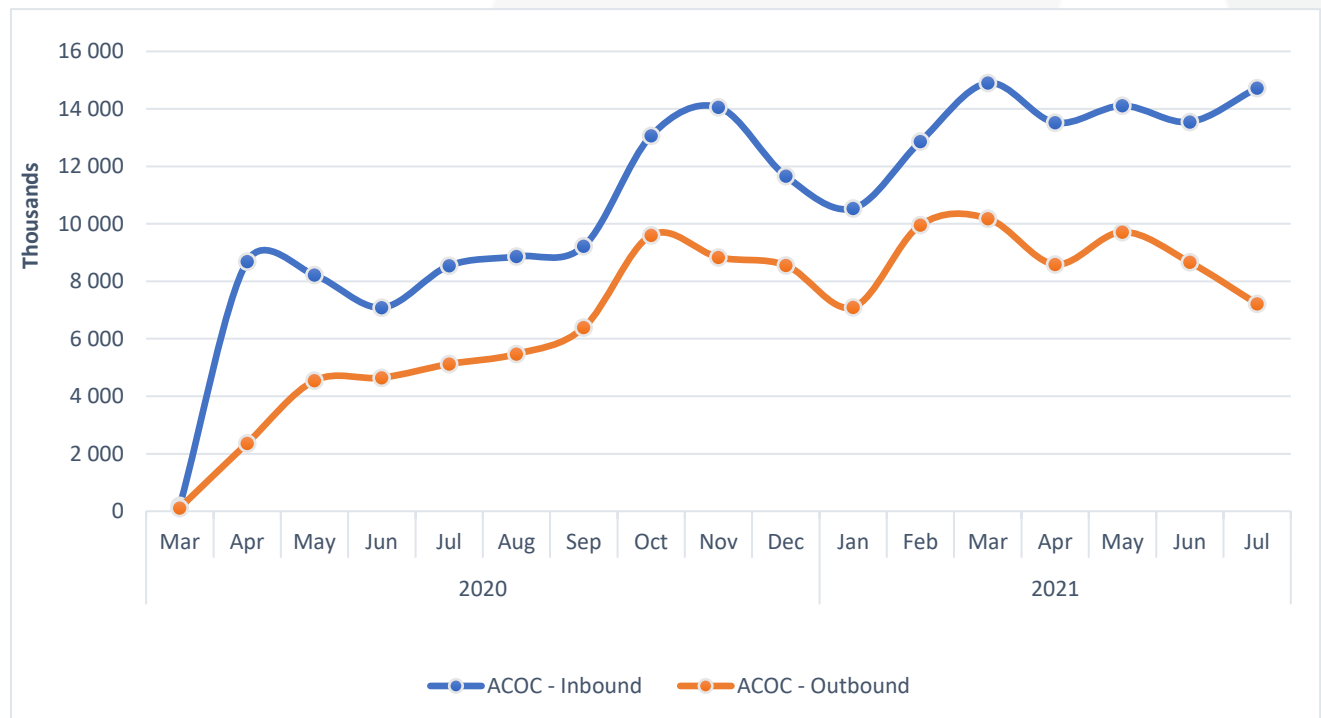
Flows	25-Jul	26-Jul	27-Jul	28-Jul	29-Jul	30-Jul	31-Jul
Volume inbound	904 536	488 165	295 568	417 035	329 432	336 057	728 741
Volume outbound	411 242	131 067	130 683	283 150	199 565	156 367	424 008
Total handled per day	1 315 778	619 232	426 251	700 185	528 997	492 424	1 152 749

Courtesy of ACOC. Updated: 01/08/2021.

The daily average volume of air cargo handled at ORTIA over the seven days starting 25 July amounted to **499 933 kg** inbound and **248 012 kg** outbound. The total, therefore, amounts to an average of **747 945 kg** per day, or ~172% compared with the same week in June 2020 (~157% last week). For the month of July, the average daily international air cargo handled at ORTIA amounted to **695 320 kg** per day, which shows a m/m change of ↓4% compared to June. In summary, the international aviation industry's operating capacity levels are ~166% of the previous year in terms of annual comparisons. Compared to pre-COVID-19 times, the level is currently only at ~83% compared with 2019.

The following figure shows monthly international freight movement at ORTIA during the state of disaster, with volumes generally trending way above the number registered at the same time last year, hardly surprising in terms of the stringent lockdown regimes in place a year ago.

Figure 6 – International inbound and outbound cargo from OR Tambo (thousands)



Courtesy of ACOC. Updated: 01/08/2021.

b. Domestic air cargo

The following table shows the domestic inbound and outbound air cargo flows for the duration of the lockdown period as reported by the industry. By way of comparison, the average domestic air freight cargo (inbound and outbound) for ORTIA handled in July 2020 was only ~50 554kg¹¹ per day. Still, as mentioned in other areas of this report, that is not really a meaningful comparison.

Table 6 – Total domestic inbound and outbound cargo

DATE / AIRPORT	CPT	DUR	ELS	ORTIA	PLZ	OTHERS	TOTAL
Mar-Dec '20 Av.	21 813	2 941	3 751	20 539	6 571	3 176	56 713
Jan Average	20 961	2 739	2 859	22 818	5 491	5 238	57 781
Feb Average	27 777	3 537	3 427	30 117	6 988	3 503	75 348
Mar Average	28 781	3 702	3 845	31 166	7 680	3 740	78 914
Apr Average	24 875	3 234	3 058	25 694	6 306	3 046	66 213
May Average	29 891	3 781	3 669	27 817	7 245	3 261	75 664
Jun Average	27 498	3 706	3 556	26 873	7 086	3 213	71 932
Jul Average	23 583	5 374	3 144	15 839	6 229	2 844	57 013
21-Jul-21	34 437	19 113	4 259	26 880	9 144	4 235	98 068
22-Jul-21	36 098	4 497	4 446	20 230	11 513	3 441	80 226
23-Jul-21	19 273	1 844	3 305	14 872	3 812	2 363	45 470
24-Jul-21	2 705	142	26	1 711	57	64	4 704
25-Jul-21	1 382	238	74	91	181	814	2 779
26-Jul-21	45 671	4 058	5 192	23 917	11 447	5 109	95 394
27-Jul-21	38 432	4 359	5 576	24 999	10 642	4 667	88 674
28-Jul-21	38 410	5 664	5 338	21 508	12 013	4 112	87 045
29-Jul-21	41 160	3 323	5 554	30 990	8 705	4 212	93 944
30-Jul-21	15 827	1 002	2 993	17 276	4 456	2 563	44 118
31-Jul-21	1 497	344	-	1 086	46	-	2 973
01-Aug-21	779	23	101	189	132	457	1 680
02-Aug-21	45 089	4 954	6 286	21 799	11 835	5 727	95 690
Y-T-D Totals	5 594 539	795 684	719 781	5 469 082	1 435 387	687 525	14 701 998

Courtesy of BAC. Updated: 04/08/2021.

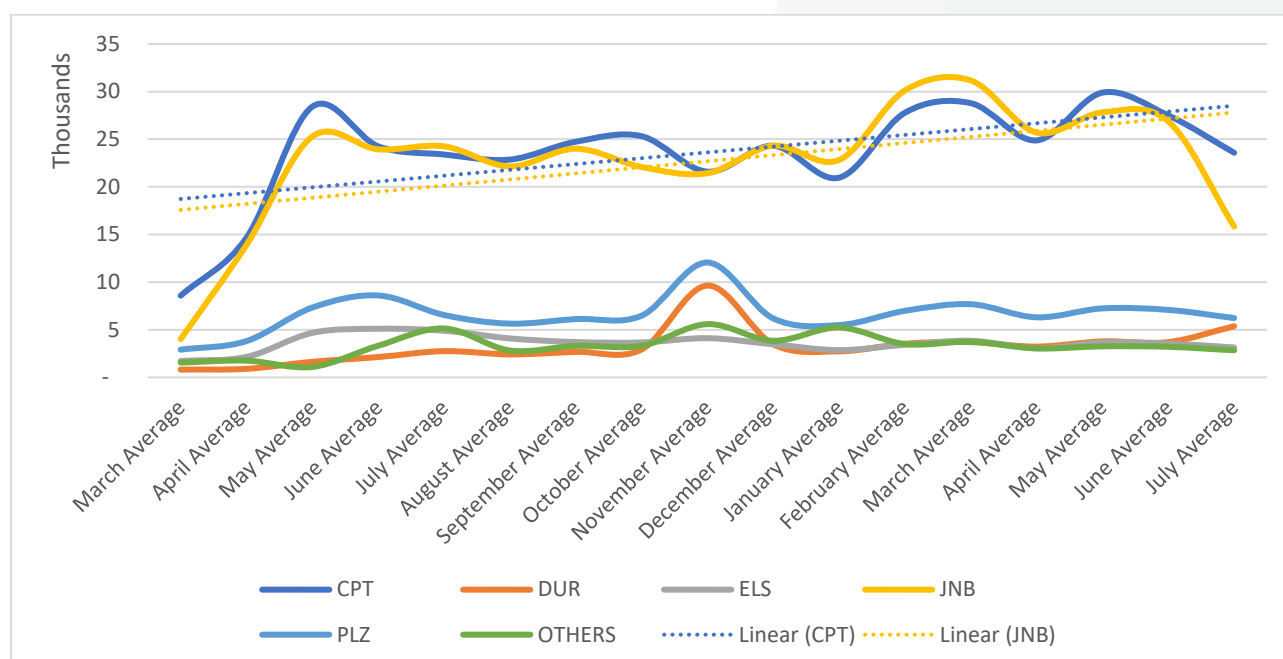
Currently, the average domestic air cargo moved in the last week was ~59 161 kg per day, which is ↓2% compared with the previous week. Moreover, the volume handled amounts to ~103% compared to the same period in 2020.

The following figure shows monthly domestic freight movement at our commercial airports during the state of disaster, with an upward trend in volumes registered since the start of the year, with the downturn experienced in July being evidently accentuated.



¹¹ For Cape Town, the figure corresponds to 43 266 kg per day, and 4 023 kg per day for Durban during the same period (July 2020).

Figure 7 – Average domestic inbound and outbound cargo (thousands)



Courtesy of BAC. Updated: 04/08/2021.

3. Regional Update

a. SARS merchandise trade stats

On Friday, 30 July, SARS released merchandise trade stats for June¹². Exports have increased by a substantial **↑43,6%** y/y, with imports rising by another massive margin of **↑55,7%** over the same period. As with the current trend, these figures overall translate to increasing our trade balance surplus from last month to **R255,56 billion** for the year to date. The trade balance is a massive improvement over the **R56,71 billion** trade balance recorded for the same period the previous year. Despite these overwhelmingly positive numbers, it is worth reiterating that 2020 was essentially an anomaly, and any yearly comparison needs to be made with due caution and perspective. Nevertheless, the positive balance of payments – which commenced mid-way through 2020 – therefore not only continues but has gained momentum, which is positive for our local industries. However, South Africa remains a very open economy that is very sensitive to changes in the global trade environment, as we have seen with the recent trade disruptions locally.

For June, trade with BELN countries resulted in a trade surplus of **R8,59 billion**, **↓17,6%** from May. The change was caused by a simultaneous decrease in exports (**↓7,2%**) and a rise in imports (**↑25,9%**). Nevertheless, the cumulative trade surplus with our neighbouring countries for 2021 remains high, currently at **R49,87 billion**, compared to **R39,08 billion** in 2020.

b. South African border closures

Once again, several border posts experienced closures throughout last week, although disruptions were significantly less than a previous couple of weeks. The following table summarises the status of various borders (information provided by SARS Customs).



¹² SARS. 30/07/2021. [Merchandise trade stats](#).

Table 7 – South African border closures

Date	Border
5 August 2021	Groblersbridge will close at 20:00 today and reopen tomorrow, 6 August, at 6:00.
	Beitbridge passenger and states warehouse closed until further notice, but trade movement not affected.
3 August 2021	Skilpadshek will reopen at midday today.
2 August 2021	Skilpadshek closed from 20:30 until further notice.
	Kopfontein opens tomorrow morning, Tuesday 3 August, at 06:00.
	Kopfontein is closed until further notice.

Source: [SARS](#). Updated: 06/08/2021.

Traders are urged to stay abreast of border post communications on the SARS Customs and Excise [website](#). Still, it must be said that this situation only exacerbates the precarious position of the road freight industry.

c. Cross-border delays

Besides the closed border crossings, the following significant events have caused some delays in the SADC region this week:

- Ramatlabama, Skilpadshek, and Golela border posts were closed for decongestion.
- Several reports were received of informal toll gates being established near the mines in DRC. Follow-up messages received were that mine security would be called to clear the road.
- Transporters experienced issues with slow movement at Groblersbrug due to only one official being assigned to do COVID-19 testing.
- SARS systems maintenance, affecting "Declaration Processing [DPS]" was scheduled for 20:00 to 22:00 on Friday, 6 August 2021,

Apart from these developments, investigations continue into cross-border delays experienced at several SADC border posts in the sub-region. The following table uses geofencing data to summarise delays experienced at various borders during the last week.

Table 8 – Delays¹³ summary – Selected SADC borders

Countries	Border	Queue Time (hh:mm)	Border Time (hh:mm)	HGV Arrivals per day	HGV Tonnage per day	Weekly HGV Arrivals	HGV Delay Hours	Queue Time Delays
Nam/SA	Ariamsvlei/Nakop	2:00	19:00	100	3 000	700	24 640	1 400
SA/Zim	Beit Bridge	6:00	16:00	943	28 290	6 601	92 414	39 606
Moz/Zam	Cassacatiza/Mlolo	1:00	13:00	60	1 800	420	4 620	420
Zam/Zim	Chirundu	36:00	24:00	616	18 480	4 312	94 864	155 232
Moz/Mal	Dedza	2:00	24:00	50	1 500	350	7 700	700
SA/Bot	Groblersbrug/Martins Drift	26:00	13:00	400	12 000	2 800	30 800	72 800
Zam/DRC	Kasumbalesa	0:00	55:00	592	17 760	4 144	165 760	0
Zam/Bot	Kazungula	0:00	34:00	212	6 360	1 484	47 488	0
SA/Bot	Kopfontein/Tlokweg	24:00	36:00	100	3 000	700	23 800	16 800
Moz/Zim	Machipanda/Forbes	1:00	9:00	320	9 600	2 240	15 680	2 240
Moz/Mal	Milange	0:00	11:00	40	1 200	280	2 520	0

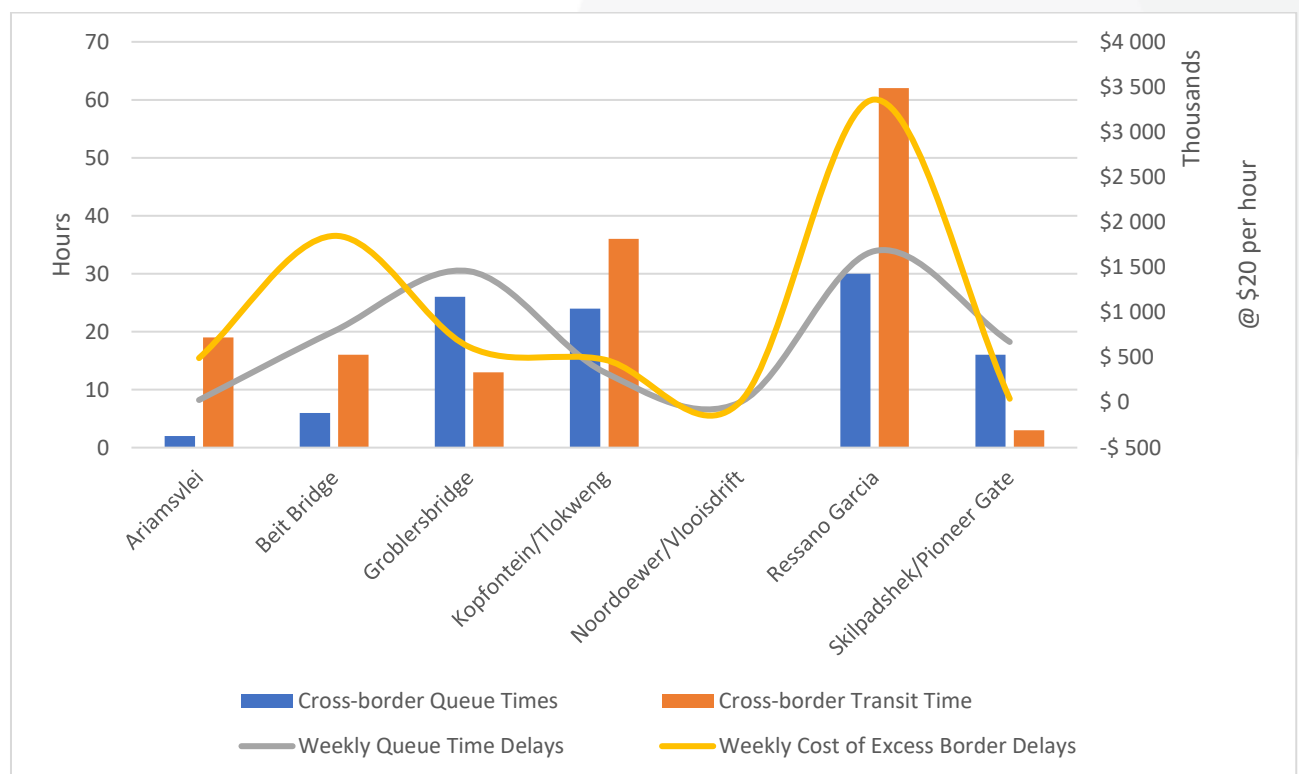
¹³ It should be noted that the root cause of the reported delays is uncertain at this point. Moreover, the delays may be multiple and widely distributed. Therefore, they cannot be exclusively attributed to a specific common cross-border constraint since we do not have a transparent view of the entire border process in granular detail. The causes of these bottlenecks typically include poor infrastructure, road congestion, and a lack of coordination between neighbouring countries and Customs (or OGA) stops, among other trade obstacles.

Countries	Border	Queue Time (hh:mm)	Border Time (hh:mm)	HGV Arrivals per day	HGV Tonnage per day	Weekly HGV Arrivals	HGV Delay Hours	Queue Time Delays
Zim/Moz	Nyamapanda		0:00	0	0	0	0	0
SA/Moz	Ressano Garcia	1:00	2:00	100	3 000	700	0	700
SA/Bot	Skilpadshek/Pioneer Gate	30:00	62:00	400	12 000	2 800	168 000	84 000
Nam/Bot	Trans Kalahari/Mamuno		34:00	100	3 000	700	15 400	0
Zam/Zim	Victoria Falls	16:00	3:00	300	9 000	2 100	2 100	33 600
Moz/Mal	Zobue/Mwanza		47:00	110	3 300	770	24 640	0
				4 657	139 710	32 599	734 118	409 696

Source: TLC & FESARTA, week ending 03/08/2021.

The following graph shows the weekly change in cross-border times (and associated estimated cost) from South Africa's perspective.

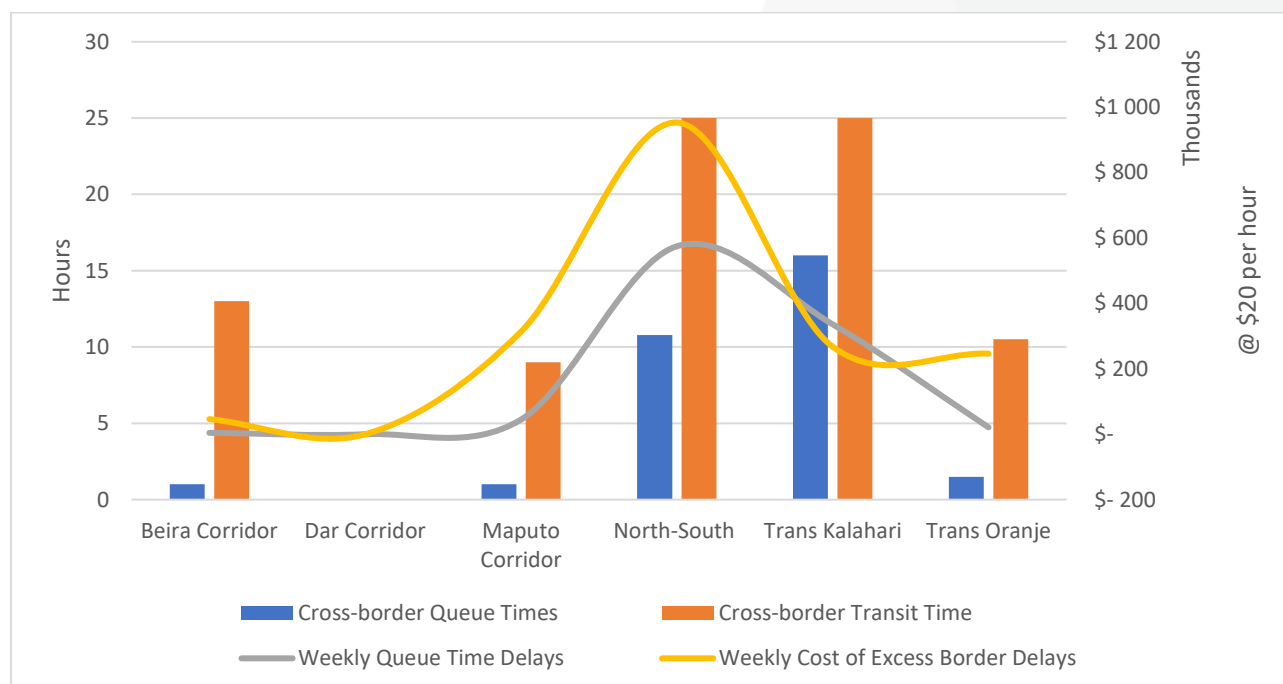
Figure 8 – Weekly cross-border delays and estimated cost from a South African border perspective (delay in hours; cost in \$ thousands)



Source: TLC & FESARTA, week ending 03/08/2021.

The following figure illustrates a similar picture to those above, this time from a corridor perspective.

Figure 9 – Weekly cross-border delays and estimated cost from a corridor perspective (delay in hours; cost in \$ thousands)



Source: TLC & FESARTA, week ending 03/08/2021.

In summary, the cross-border queue time has averaged **~8,7 hours** (rising by a significant 2,6 hours from last week's recorded time of **~6,1 hours**) and cost the transport industry an estimated **\$8,19 million (R131 million)**. As with the queue times, the average cross-border transit time has also experienced a substantial increase to **~21.3 hours** (much higher than last week's experience at **~16,7 hours**), costing the transport industry **~\$14,7 million (R235 million)**. Therefore, the total cost for the week amounts to **~R366 million** (up by **~R48 million** from **R318 million** the previous week). It appears as if the congestion and uncertainty created at the southern tip of the North-South corridor have spilt over into the entire SADC region. Collectively, the extended maritime economy (ports leading to the road modality) is on its proverbial knees.

4. International Update

The following section provides some context of the global economy and the impact of COVID-19 on trade. In addition, the section includes an update on the **(a)** world statistical review, **(b)** global container industry and the **(c)** global aviation industry.

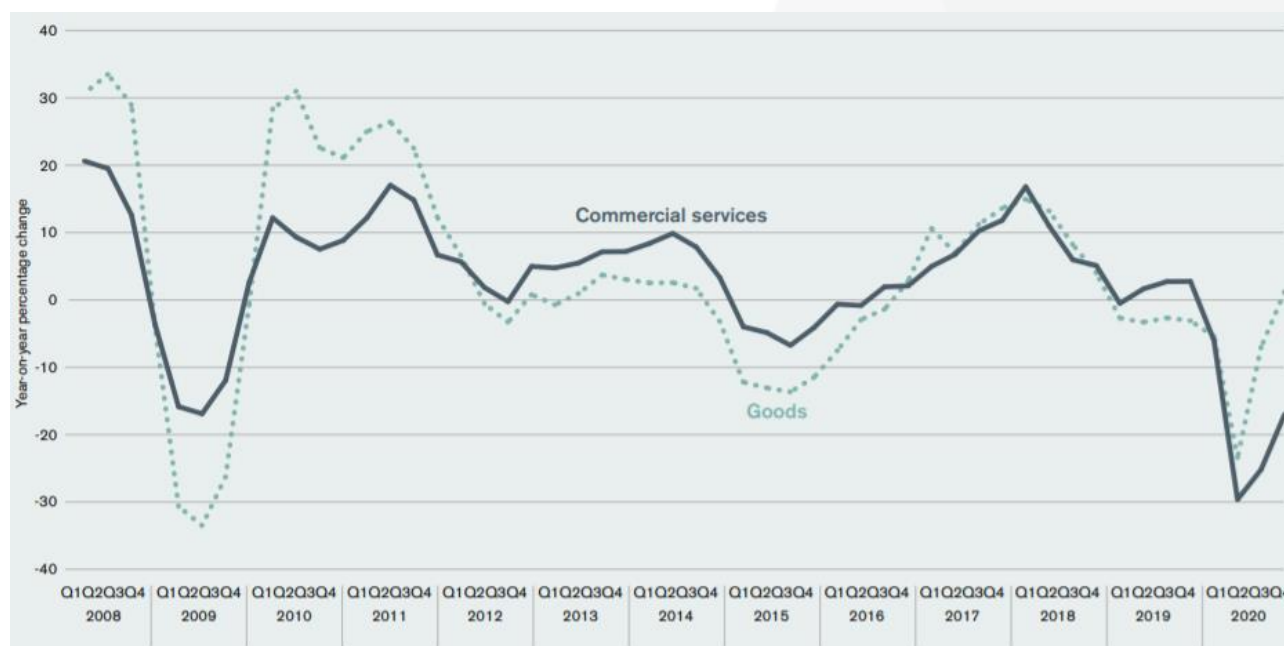
a. World trade statistical review

This week, the World Trade Organisation (WTO) released its annual "World Statistical Review" for 2021¹⁴. The report highlights that the value of world merchandise exports declined by **↓8%**, while services trade contracted by a massive **↓21%** in 2020. The WTO further notes that the most severe impacts of the pandemic are being felt in the second quarter of the year. As a result, trade began to recover in mid-2020, but with significant differences across regions and sectors. The recovery of merchandise trade was primarily due to trade in manufactured goods while services trade continues to be weighed down by continued COVID-19-related travel restrictions. The following figure illustrates the current growth projections.



¹⁴ IMF. 27/07/2021. [World Economic Outlook](#).

Figure 10 – World trade in goods and commercial services, 2010-2020, quarterly (y/y percentage change)



Source: [WTO-UNCTAD-ITC](#)

For South Africa, the WTO notes the following performance for international trade in 2020:

Table 9 – South African trade in 2020

Metric	Value (\$ Billion)	Share	Growth	Rank
Merchandise Exports	86	0,5%	↓5%	37
Merchandise Imports	84	0,5%	↓22%	38
Commercial Services Exports	7,2	0,2%	↓50%	38
Commercial Services Imports	9,6	0,3%	↓38%	37

Source: [WTO](#)

Therefore, South Africa's performance was slightly worse than the average experienced globally in terms of merchandise (↓14%). However, our performance in the services trade was way down on average (↓43%). Concerning global trade figures, the volume of world merchandise trade is expected to increase by ↑8% in 2021, continuing its rebound from the pandemic-induced collapse that bottomed out in the second quarter of last year¹⁵. However, despite the global recovery in merchandise trade, spending on services remains subdued, with international tourism arrivals far below their 2019 levels and sharp falls in trade balances for tourism-exporting economies. Most importantly, as noted by the Director-General, the collective recovery of global trade depends on rapid, equitable access to COVID-19 vaccines worldwide.

b. Global container industry

i. World container index

The global container freight rates increased only marginally this week, with the "World Container Index" (WCI) up by ↑0,4% (or \$41) to \$9 371 per 40-ft container¹⁶. The exponential growth in freight rates does not even provide the full picture, with a plethora of surcharges also hitting shippers. As shown below, the current floating average spot market rate from Asia is almost \$10 000 to the US West Coast, to which can be

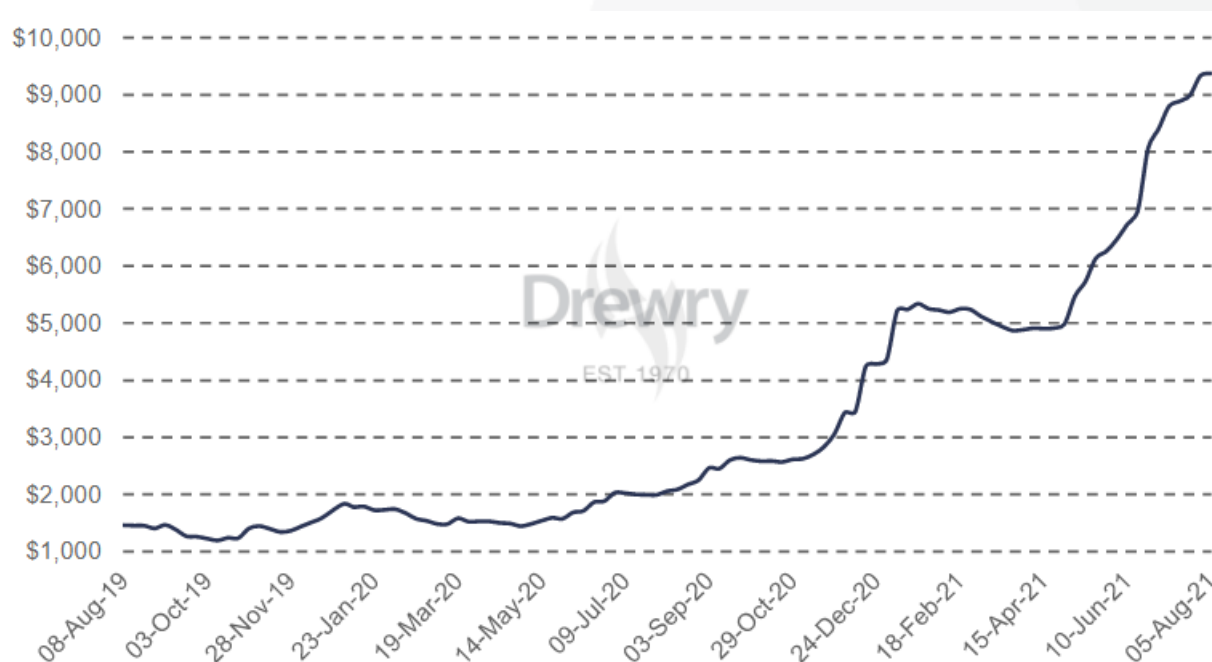
¹⁵ WTO. 31/03/2021. [World trade primed for strong but uneven recovery after COVID-19 pandemic shock](#).

¹⁶ Drewry Supply Chain Advisors. 05/08/2021. [World Container Index](#).

added \$3 000 to \$9 000 in equipment surcharges and priority loading premiums. The effective rate to move a box is \$13 000 to \$19 000 — 10 times more than before the crisis, according to an analysis by Flexport¹⁷. Besides the ongoing increases in rates, the overall level of schedule reliability has gone in the complete opposite direction, as highlighted in previous reports.

To add to the scheduling woes, ocean carriers continue to shift tonnage from intra-Asia and north-south trades to more lucrative east-west routes, increasing freight rates on these secondary trades, threatening the sustainability of global markets¹⁸. As mentioned before, some shipping lines have attributed the costs to "exceptional market situations"; however, shippers are finding it had to accept these explanations by the shipping lines. The following figure highlights the extraordinary rise in the two-year spot price of the index, which begs the question of how long the claimed "exceptional market situations" can be expected to continue.

Figure 11 – World Container Index – Assessed by Drewry (\$ per 40 ft. container)



Source: [Drewry Ports and Terminal insights](#)

The average composite index now stands at **\$6 196** per 40-ft container, **\$4 032** higher than the five-year average of **\$2 164** per 40ft container (up by **\$31** since last week). This week, freight rates surged on three of the eight major transpacific lanes, with a significant increase experienced in the Rotterdam – New York route. Moreover, the increases on all paths leading to and leaving the US has been perceptible lately, as the battle to reposition equipment continues.

Drewry expects rates to increase further in the coming weeks, however, at a slightly slower pace. But it should be noted that the rate of increase has been consistently higher than anticipated.

ii. Further developments of note

Besides the continued surge of freight rates across the board, some additional notable developments occurred this week.



¹⁷ Kulisch, E. 30/07/2021. [Are you shipping me?!? \\$32,000 container move from China to LA.](#)

¹⁸ Wackett, M. 04/08/2021. [Forwarder angst as carriers switch vessels onto the best-paying trade lanes.](#)

1. Costs, complaints, and cartels: Shipping Lines continue to be accused of profiteering and not adhering to contractual agreements:

- a. Following the formal complaints made to the Federal Maritime Commission (FMC) and subsequent recommendations¹⁹, further frustration has been voiced at the failure of shipping lines to meet their contractual obligations concerning capacity²⁰. These were the exasperated calls voiced by Pennsylvania-based home décor supplier MCS Industries.
- b. In an unsurprising twist, MSC has bluntly rejected complaints and says it was "*shocked to learn of the accusations*"²¹. The Switzerland-based carrier further noted that they had received "*no formal complaint by MCS Industries in advance of the filing*".

2. No change to shipping container market problems 'for months possibly years':

- a. The compound issues of equipment and staff shortages, port congestion, and low productivity are set to remain in the immediate future, according to the British International Freight Association (BIFA)²². Moreover, the fundamentals that underpin demand and supply within the container shipping market show no signs of significant changes, which leads BIFA to conclude that there is little chance of any improvement in the current situation for many months or possibly even years.

3. Maersk records another record profit for Q2 2021, but "shuns better-paying spot market for long-term gain":

- a. Maersk has reported a net profit of \$3,7 billion for the second quarter and \$6,5 billion for the half-year, driven by "exceptional market conditions", and expects Q3 to be even better²³.
- b. Revenue grew 58% to \$14,2 billion in Q2, and EBIT increased almost five times to \$4,1 billion²⁴.
- c. However, the Danish powerhouse claims that the emphasis is on "locking-in more blue-chip shippers on multi-year contracts to ensure it extends profitability as far as possible".

c. Global aviation industry

In a quiet week for international aviation metrics, the International Air Transport Association (IATA) nevertheless reported on some positive sentiment coming out of the industry. In the "*Business Confidence Survey*" for early July²⁵, airline CFOs predict signs of airline financial performance improvement. 73% of respondents now expect profitability for their airline to improve further in the twelve months ahead, compared to less than half in our April survey. Very few surveyed airlines now expect a further decline, but close to a quarter think profitability will not change from its low base. Moreover, 72% of respondents have seen profitability improve in the three months to July 2021 compared to the same period in 2020. However, these forecasts are not surprising, given how weak passenger demand was at the peak of the crisis last year.

Nevertheless, there remain reasons for caution. Many respondents indicated they did not expect profits but rather reduced losses, with recovery slow and gradual from a low base. Among the airlines that do not anticipate changes, some cited lack of government coordination or vaccines not recognized by partner markets as critical issues. Some respondents thought yields would go down, and others pointed out the significant uncertainty, with risks that the recovery could be reversed. The overall sentiment revolves around cautious optimism, according to the IATA.

¹⁹ FMC. 29/07/2021. [Fact Finding Investigation No. 29.](#)

²⁰ Savvides, N. 03/08/2021. [More complaints against 'profiteering' carriers expected as shippers' costs soar.](#)

²¹ Savvides, N. 05/08/2021. [MSC hits back saying it was 'shocked' by anti-trust breach allegations.](#)

²² BIFA. 21/07/2021. [Current state of the container market "The perfect storm".](#)

²³ Wackett, M. 06/08/2021. [Maersk has reported a net profit of \\$3.7bn for the second quarter and \\$6.5bn for the half-year, driven by "exceptional market conditions", and expects Q3 to be even better.](#)

²⁴ Maersk. 06/08/2021. [A.P. Moller - Maersk reports record earnings and continued growth momentum in logistics in Q2.](#)

²⁵ IATA, 06/08/2021. [IATA Business Confidence Survey.](#)